

Order 2002-8-6
Served: August 9, 2002



UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Issued by the Department of Transportation
on the 9th day of August, 2002

TRANSATLANTIC,
TRANSPACIFIC, AND LATIN
AMERICAN SERVICE
SERVICE MAIL RATES
INVESTIGATION

Docket OST-96-1629

(Docket 37392)

**ORDER TO SHOW CAUSE ESTABLISHING
FINAL INTERNATIONAL SERVICE MAIL RATES**

Summary

By this order the Department proposes to add another category, container rates, to the Atlantic, Latin, and Pacific regions, and make the rate set by Order 2001-12-23 final through December 31, 2002.

Background

The U.S. Department of Transportation is charged by law with setting the rates that the U.S. Postal Service pays to U.S. carriers to transport mail to or from foreign destinations. The rates are made up of two parts: 1) a "terminal" charge and 2) a "linehaul" charge. The terminal charge represents the costs that the carriers incur in loading mail onto the aircraft, irrespective of distance or destination, and is typically expressed as a cost per ton enplaned. The linehaul charge represents the cost to the carriers of carrying the mail various distances, and is typically expressed as a cost per ton mile, e.g., carrying 2,000 pounds of mail one mile would be one revenue ton mile.

Over the years, the Postal Service has strived to reduce the costs of transporting mail. One such program is "containerization." The Postal Service frequently presorts mail into containers, also known as unit load devices (ULDs), then to be loaded onto aircraft instead of the carriers loading individual sacks of mail. Not only does that help the Postal Service in its dispatching and tracking of mail, it also reduces carriers' costs as large volumes of containerized mail can be loaded onto the aircraft as opposed to hand-loading individual bags of mail. We are proposing in this order to establish a discounted terminal charge for mail that is loaded into containers by the Postal Service to reflect the savings that accrue to the carriers.

Discussion

The current international mail rates were established by Order 2001-12-23, effective January 1, 2002, until further Department action, instead of the customary one-year period, because the Postal Service had requested that the Department review adding a category of container rates, in addition to traditional sack rates, to the Atlantic, Latin, and Pacific regions. Up until now, container rates were in place only for the Transborder region, and they are unaffected by this order. In several informal meetings sponsored by the Department, the carriers and the Postal Service have worked out a consensus regarding the appropriate discount for a “container rate.”

On July 3, 2002, the Postal Service submitted a summary of the consensus to the Docket. American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines and United Airlines all filed in support of the Postal Service’s proposal, and we have received no objections.

Under the proposal, a small discount will be applied on the terminal handling component for postal-loaded containers. The discount would be four cents per ton enplaned for mail tendered in postal-loaded containers, and this discount would be applicable to the Atlantic, Latin, and Pacific regions. The minimum chargeable weights per container will be based on a density factor of seven pounds per cubic foot for each container type. The rates bolded in Appendix A reflect the new rates that will be in effect. The Department will incorporate these rates in its update methodology. The four-cent discount is not fixed. Rather, it will be treated like all other rate elements, subject to increases or decreases depending on changes in carriers’ overall unit costs. For example, if the terminal charge increases by five percent, the discount will likewise increase by five percent, to 4.2 cents, to maintain the same relative spread.

A density factor of seven pounds per cubic foot is to apply a minimum chargeable weight per container type. The capacities in cubic feet and thus the minimum chargeable rates for the most common sizes of containers are set out in Appendix B. The minimum charge per container for types not listed will be based on the internal cubic footage of those containers multiplied by seven pounds per cubic foot. The Postal Service states it will amend Handbook T-5, International Mail Operations, to incorporate the agreed upon “Terms and Conditions for Postal Loaded Containers.” The Postal Service went on to suggest that the rate be made effective on August 1.

Decision

No party has objected to the Postal Service proposal, and we agree in concept with the notion that one full container is easier to load than dozens of individual sacks of mail. In general, when both the Postal Service and the carriers reach consensus, the Department will give great weight to the proposal. The lower container rate will provide further incentive to the Postal Service to use containers to the maximum extent possible. The parties also anticipate that shipping by containers will provide better service to customers and may stimulate international mail service. Because of the need for a reasonable

comment period, and because of our policy against setting retroactive rates, we will tentatively make this rate final effective September 1, 2002.¹

ACCORDINGLY,

1. We direct all interested persons to show cause no later than twenty (20) days after the date of service of this order, why the Department should not adopt the foregoing tentative findings and conclusions and fix, determine and publish a separate terminal charge for containerized mail that is discounted four cents, subject to the traditional rate update methodology, from the loose sack rate. The proposed final rates specified in Appendix A will be effective from September 1, 2002, through December 31, 2002, or until further order of the Department, whichever occurs later. Vague or unsupported Answers that do not include all proposed adjustments and backup data will not be accepted;
2. If no objection is filed within the designated time, or if a timely filed objection raises no material issues of fact, we will deem all further procedural steps waived, and this order will become final;
3. If objections are filed, the rates established in Order 2001-12-23 will remain in place until further Department action;
4. This docket shall remain open until further order of the Department; and
5. We shall serve this order upon all parties to this proceeding.

By:

READ C. VAN DE WATER
Assistant Secretary for Aviation
and International Affairs

(SEAL)

An electronic version of this document is available on the World Wide Web
<http://dms.dot.gov>

¹ The parties have made clear that for administrative reasons, rates should be made effective on the first of each month.

Appendix A

| INTERNATIONAL SERVICE MAIL RATES | | | |
|--|--|-----------|--------------|
| Effective: 9/1/2002 | | CY 1975 | Proposed |
| | | Rates | Adj. Factors |
| <u>Linehaul Charge per Billing Ton-Mile, Atlantic</u> | | | |
| Priority and Military Ordinary Mail | | \$0.2022 | 78.08% |
| Space-Available Mail | | \$0.1296 | 78.08% |
| <u>Terminal Charge per Pound Originated, Atlantic</u> | | | |
| Priority and Military Ordinary Mail | | \$0.1139 | 156.68% |
| Space-Available Mail | | \$0.1027 | 156.68% |
| Priority and Military Ordinary Mail (Container) | | \$0.0983 | 156.68% |
| Space-Available Mail (Container) | | \$0.0871 | 156.68% |
| <u>Linehaul Charge per Billing Ton-Mile, Latin</u> | | | |
| Priority and Military Ordinary Mail | | \$0.2135 | 179.05% |
| Space-Available Mail | | \$0.1644 | 179.05% |
| <u>Terminal Charge per Pound Originated, Latin</u> | | | |
| Priority and Military Ordinary Mail | | \$0.0983 | 141.96% |
| Space-Available Mail | | \$0.0910 | 141.96% |
| Priority and Military Ordinary Mail (Container) | | \$0.0817 | 141.96% |
| Space-Available Mail (Container) | | \$0.0745 | 141.96% |
| <u>Linehaul Charge per Billing Ton-Mile, Pacific</u> | | | |
| Priority and Military Ordinary Mail | | \$0.2188 | 153.12% |
| Space-Available Mail | | \$0.1349 | 153.12% |
| <u>Terminal Charge per Pound Originated, Pacific</u> | | | |
| Priority and Military Ordinary Mail | | \$0.1339 | 186.38% |
| Space-Available Mail | | \$0.1159 | 186.38% |
| Priority and Military Ordinary Mail (Container) | | \$0.1199 | 186.38% |
| Space-Available Mail (Container) | | \$0.1019 | 186.38% |
| | | CY 1974 | |
| | | Rates | |
| <u>Linehaul Charge per Billing Ton-Mile, Transborder</u> | | | |
| Sack | | \$0.11490 | 234.42% |
| Standard Container | | \$0.08790 | 234.42% |
| Daylight Container | | \$0.07050 | 234.42% |
| <u>Terminal Charge per Pound Originated, Transborder</u> | | | |
| <u>Capacity</u> | | | |
| Taxi | | | |
| Sack | | \$0.00991 | 234.42% |
| Standard Container | | \$0.00979 | 234.42% |
| Daylight Container | | \$0.00973 | 234.42% |
| Departure | | | |
| Sack | | \$0.01186 | 159.50% |
| Standard Container | | \$0.01176 | 159.50% |
| Daylight Container | | \$0.01164 | 159.50% |
| Terminal | | | |
| Sack | | \$0.06064 | 295.42% |
| Standard Container | | \$0.01746 | 295.42% |
| | | \$0.01747 | 295.42% |
| <u>Total Terminal Charge per Pound Originated, Transborder</u> | | | |
| Sack | | \$0.08241 | |
| Standard Container | | \$0.03901 | |
| Daylight Container | | \$0.03884 | |

Note: The values in column 2 were backed into, based on the the \$.04 discount. In future updates we will use the actual percentages. The parties anticipate that in a few years international mail rate-setting by the Department will be discontinued, and so the discrepancy between the two methodologies will never have any material effect.

| <u>Container Type</u> | <u>Internal Capacity (Cubic Feet)</u> | <u>Minimum Chargeable Weight (lbs.) 1/</u> |
|-----------------------|---|--|
| A-1 | 290 | 2,030 |
| A-2 | 390 | 2,730 |
| A-3 | 355 | 2,485 |
| LD-1 | 165 | 1,155 |
| LD-2 | 120 | 840 |
| LD-3 | 150 | 1,050 |
| LD-4 | 190 | 1,330 |
| LD-5 | 250 | 1,750 |
| LD-7 | 350 | 2,450 |
| LD-8 | 246 | 1,722 |
| LD-9 | 365 | 2,555 |
| LD-10 | 225 | 1,575 |
| LD-11 | 233 | 1,631 |
| M-1 (AMA) | 606 | 4,242 |
| M-1 (AMJ) | 601 | 4,207 |

1/ Based on seven pounds per cubic foot density.

Note: This table is same as Postal Service's Attachment 2.
We have reproduced it here for ease of use.